



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION • LOS ANGELES, CALIFORNIA 90012

(213) 974-1101

<http://cao.co.la.ca.us>

DAVID E. JANSSEN
Chief Administrative Officer

August 30, 2005

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**APPROVE A RESOLUTION OF INTENTION TO GRANT A NEW 15-YEAR
COUNTYWIDE WATER PIPELINE FRANCHISE TO SUBURBAN WATER SYSTEMS
(ALL DISTRICTS) (3-VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Adopt the attached Resolution of Intention to grant a new 15-year Countywide water pipeline franchise to Suburban Water Systems, a California public utility corporation (Suburban), setting the matter for public hearing on September 27, 2005, pursuant to Section 6232 of the California Public Utilities Code, and instructing the Executive Officer of the Board to arrange for public advertising of a notice of the public hearing.
2. Find that this project is categorically exempt under the California Environmental Quality Act (CEQA) pursuant to Class 1 of the Environmental Document Reporting Procedures and Guidelines adopted by your Board on November 17, 1987, and Section 15301 of the State CEQA Guidelines.

AFTER THE PUBLIC HEARING, IT IS RECOMMENDED THAT YOUR BOARD:

Adopt the accompanying ordinance awarding a new 15-year Countywide water pipeline franchise to Suburban, becoming effective on November 28, 2005, such date being sequential to the expiration date of Suburban's existing water pipeline franchise.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS

The purpose of the recommended actions is to approve a Resolution of Intention and schedule the public hearing and legal advertising necessary to grant a new 15-year Countywide water pipeline franchise to Suburban, to renew its existing franchise rights.

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The County Strategic Plan directs that we provide the public with quality service that is beneficial and responsive (Goal 1). The Board's approval and adoption of an ordinance to grant Suburban a water pipeline franchise is consistent with this goal.

FISCAL IMPACT/FINANCING

Suburban has paid the County a one-time granting fee of \$5,000 to process an ordinance to grant a new franchise. In addition, Suburban will pay an annual fee of two percent of the gross annual receipts arising from the use, operation, or possession of the franchise, but not less than one percent of the gross annual receipts from the sale of water within the franchise area. Suburban paid an annual fee of \$99,265 for the 2004 calendar year.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

On October 28, 1980, your Board adopted Ordinance No. 12,252, granting a 25-year Countywide water pipeline franchise to Southwest Suburban Water, which became effective November 28, 1980, and will expire November 27, 2005. Through a name change in 1982, Southwest Suburban Water formally became Suburban Water Systems. By letter dated May 11, 2005, Suburban requested your Board to grant a new water pipeline franchise to renew its existing franchise rights.

Suburban is a wholly owned subsidiary of Southwest Water Company (Southwest Water), a publicly-traded Delaware corporation engaged in water production, treatment and distribution, wastewater treatment, and the management of utility billing and infrastructure construction. Through its utility group, Southwest Water owns and operates rate-regulated public water utilities engaged in collection, storage, distribution and sale of water to residential and commercial customers in California, New Mexico, Oklahoma and Texas.

Suburban is a predecessor water company incorporated in 1907, and Southwest Water's largest utility group subsidiary. In 2004, Suburban provided water to 75,384 active service connections in Los Angeles and Orange counties, through five water systems in two operational districts (the San Jose Hills District and Whittier/La Mirada District), which delivered over 32,000 acre feet of water from all sources, including 15 groundwater wells, nine purchase-water connections, 30 reservoirs and tanks, and over 74,000 meters of pipe.

Suburban serves ten incorporated cities in Los Angeles County, with its largest customer base being in West Covina, La Mirada and Whittier. Suburban serves approximately 22,313 customers in unincorporated County areas of Whittier (8,535), La Puente (7,203), Hacienda Heights (4,893), Valinda (1,071), Covina (378), Glendora (123), West Covina (108), and Industry (2), as depicted on the two water service area maps attached.

The Honorable Board of Supervisors
August 30, 2005
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The Audit Division of the Auditor-Controller, the Department of Public Works and the Fire Department have reviewed the request and have no objections. County Counsel has reviewed the accompanying franchise ordinance and approved it as to form.

ENVIRONMENTAL DOCUMENTATION

This project is categorically exempt under the CEQA pursuant to Class 1 of the Environmental Document Reporting Procedures and Guidelines adopted by your Board on November 17, 1987, and Section 15301 of the State CEQA Guidelines.

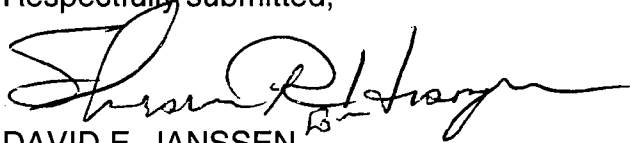
IMPACT ON CURRENT SERVICES (OR PROJECTS)

The recommended Board actions will not impact or adversely affect any current services or future projects.

CONCLUSION

Instruct the Executive Officer, Board of Supervisors, to send conformed copies of the approved Board recommendation and the adopted ordinance to Suburban Water Systems 1211 East Center Court Drive, Covina, CA 91724, Attention: Mr. John Brettl, CFO, and the offices of County Counsel, Auditor-Controller, Audit Division, Department of Public Works, Fire Department, Land Development Unit, and the Chief Administrative Office, Real Estate Division, Property Management, 222 South Hill Street, 3rd Floor, Los Angeles, CA 90012.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "David E. Janssen", with a stylized flourish at the end.

DAVID E. JANSSEN
Chief Administrative Officer

DEJ:CWW
CB:RB:cc

Attachments (3)

c: County Counsel
Auditor-Controller, Audit Division
Department of Public Works
Fire Department

WATER SERVICE AREA MAPS

TWO PAGES OF EXHIBITS



SUBURBAN WATER SYSTEMS

EXHIBIT – 1 SAN JOSE HILLS MASTER PLAN

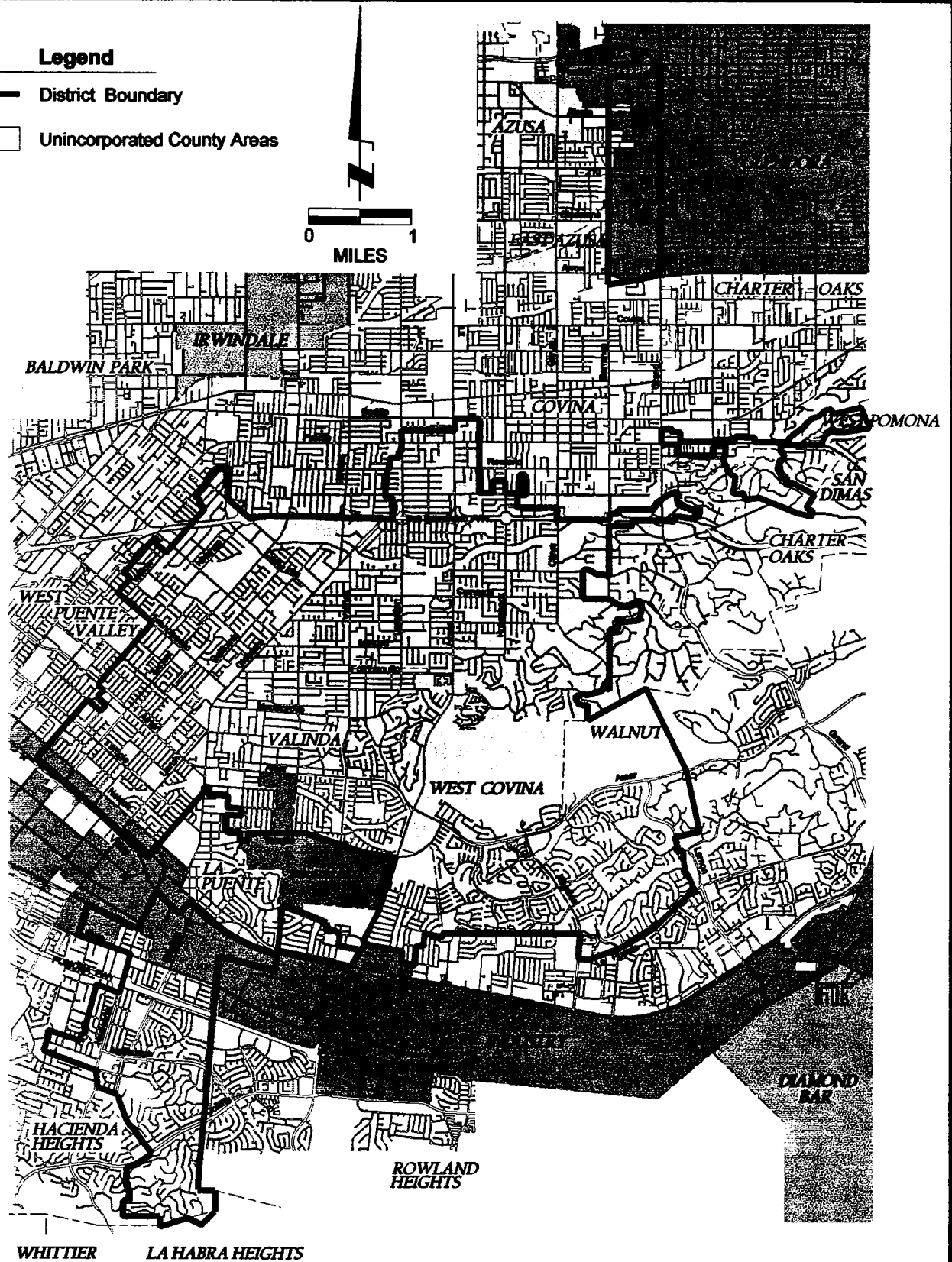
AND

EXHIBIT 2 – WHITTIER / LA MIRADA MASTER PLAN

The recommendation to the Board of Supervisors is to grant Suburban Water Systems a Countywide water pipeline franchise. These maps illustrate unincorporated areas affected by the franchise and are provided for the convenience of the reader.

- Legend**
-  District Boundary
 -  Unincorporated County Areas

0 1
MILES



Suburban Water Systems



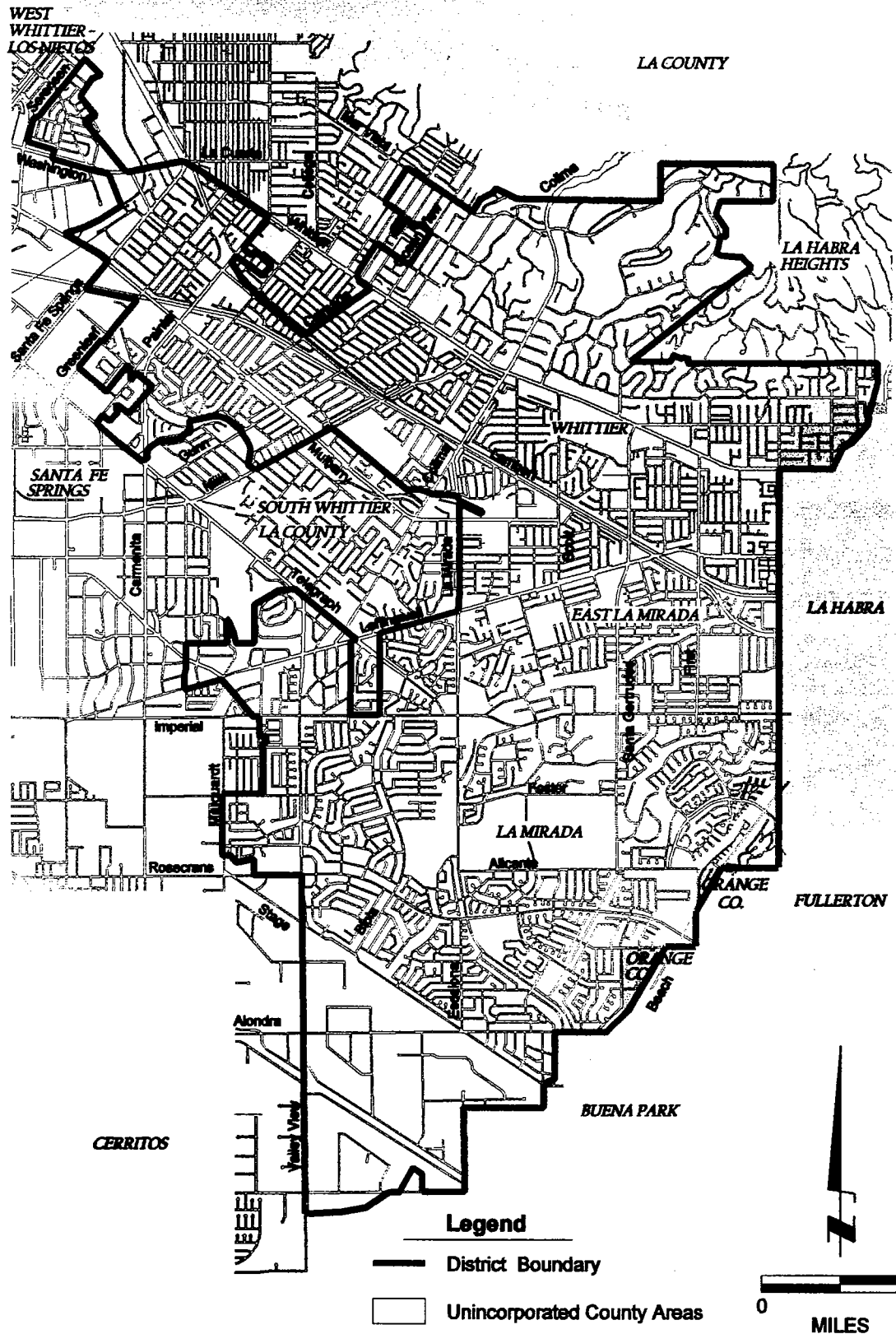
1211 E. Center Court Dr.,
Covina, California 91724-3603
Telephone: (626) 543-2500
Facsimile: (626) 331-4848

San Jose Hills District

Service Areas
Showing Cities and County Areas

05/04/2005
Z:\Master Plan Maps\slh\San Jose Hills Cities & County.dgn
MODEL: County Areas

EXHIBIT 1 – WATER SERVICE AREA



Suburban Water Systems



1211 E. Center Court Dr.,
Covina, California 91724-3603
Telephone: (626) 543-2500
Facsimile: (626) 331-4848

Whittier / La Mirada District

Service Area
Showing Cities And County Areas

EXHIBIT 2 – WATER SERVICE AREA

RESOLUTION OF INTENTION

**RESOLUTION OF INTENTION TO GRANT A WATER PIPELINE FRANCHISE TO
SUBURBAN WATER SYSTEMS, A PUBLIC UTILITY CORPORATION**

**RESOLUTION OF INTENTION TO GRANT A PUBLIC UTILITY
WATER PIPELINE FRANCHISE TO SUBURBAN WATER SYSTEMS**

BE IT RESOLVED by the Board of Supervisors of the County of Los Angeles, State of California:

A. Suburban Water Systems, a California public utility corporation ("Franchisee"), has applied to the Board of Supervisors of the County of Los Angeles, State of California, for a franchise for a period of fifteen (15) years to lay, construct, reconstruct, maintain, operate, renew, repair, change the size of, and remove or abandon in place pipes and pipelines for the transportation and distribution of water, waste water, mud, and other liquid substances, including those substances that are generally accepted as appropriate for the treatment of water, excluding any hazardous substances or hazardous waste within the meaning of the "Comprehensive Environmental Response Compensation and Liability Act of 1980," 42 U.S.C. § 9601 et seq., and amendments thereto (provided, however, that this exclusion shall not apply to substances in such amounts as are generally accepted as appropriate for the treatment of water), together with all manholes, valves, cathodic protection systems, appurtenances, and connections necessary or appropriate for the operation of said pipes or pipelines, including poles, conduits, wire, cables, and other appurtenances and equipment for telegraph or telephone lines, or both, necessary or appropriate for the Franchisee's operations in, under, along, or across any and all highways as defined in Section 16.36.080 of the Los Angeles County Code, now or hereafter dedicated to public use in the unincorporated territory of the County of Los Angeles, State of California, for the Franchisee's water service areas in those unincorporated areas depicted on Exhibit 1 and Exhibit 2 attached to the proposed Ordinance attached hereto as Exhibit A, and any additional unincorporated territory of the County of Los Angeles, State of California, that may be added to the Franchisee's water service areas during the term of the franchise.

B. It is the intention of the Board of Supervisors of the County of Los Angeles, State of California, to grant the franchise applied for upon the terms and conditions herein mentioned. The Franchisee, and its successors and assigns will, during the life of its franchise, pay annually to the municipality the amount specified in the proposed ordinance from the date of the granting of the franchise, and in the event such payment is not made, the franchise will be forfeited.

C. The franchise is described in the Ordinance attached hereto as Exhibit "A" and is a franchise for public utility water transportation and distribution purposes.

D. That on the day of September 27, 2005, at the hour of 9:30 o'clock a.m. of said day, a day not less than twenty (20) nor more than sixty (60) days after the date of the passage of this resolution, in the hearing room of the Board of Supervisors, Room 381, Kenneth Hahn Hall of Administration, 500 West Temple Street (corner of Temple Street and Grand Avenue), Los Angeles, CA 90012, all persons having any objection to the granting of the franchise hereinabove described may appear before the Board of Supervisors and be heard thereon.

E. The Executive Officer, Board of Supervisors, shall cause notice of said hearing to be published at least once within fifteen (15) days after adoption of this Resolution in a newspaper of general circulation published in the County of Los Angeles.

The foregoing resolution was on the ____ day of _____, 2005, adopted by the Board of Supervisors of the County of Los Angeles and ex-officio the governing body of all other special assessment and taxing districts, agencies and authorities for which said Board so acts.

VIOLET VARONA-LUKENS, Executive Officer-
Clerk of the Board of Supervisors of
the County of Los Angeles

By _____
Deputy

APPROVED AS TO FORM BY
RAYMOND G. FORTNER, JR.
COUNTY COUNSEL



By  
Micheline R. Ruben
Deputy County Counsel
Public Works Division

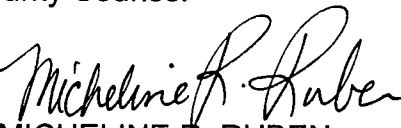
EXHIBIT “A”

**PROPOSED WATER PIPELINE FRANCHISE TO
SUBURBAN WATER SYSTEMS, A PUBLIC UTILITY CORPORATION**

ANALYSIS

This ordinance grants a water pipeline franchise to Suburban Water Systems, a California public utility corporation ("Franchisee"), to transport and distribute water for a period of fifteen (15) years. The base annual fee payable to the County by Franchisee will be determined according to a formula contained in Section 2 of this franchise ordinance. Franchisee has paid a one-time granting fee of \$5,000.

RAYMOND G. FORTNER, JR.
County Counsel

By 
MICHELINE R. RUBEN
Deputy County Counsel
Public Works Division

MRR:gjh

6/14/05 (requested)

7/05/05 (revised)

ORDINANCE NO. _____

An ordinance granting a water pipeline franchise to Suburban Water Systems, a California public utility corporation, for the transportation and distribution of water for a period of fifteen (15) years.

The Board of Supervisors of the County of Los Angeles ordains as follows:

SECTION 1. Franchise Term, Grant.

A. The right, privilege, and franchise is granted to Suburban Water Systems, a California public utility corporation ("Franchisee"), and its successors and assigns, for the period of fifteen (15) years, beginning on November 28, 2005, the effective date of this franchise, to lay, construct, reconstruct, maintain, operate, renew, repair, change the size of, remove, or abandon in place pipes and pipelines for the transportation of water, waste water, mud, and other liquid substances, including those substances that are generally accepted as appropriate for the treatment of water, excluding any hazardous substances or hazardous waste within the meaning of the "Comprehensive Environmental Response Compensation and Liability Act of 1980," 42 U.S.C. 9601 et seq., and amendments thereto (provided, however, that this exclusion shall not apply to substances in such amount that are generally accepted as appropriate for the treatment of water), together with all manholes, valves, cathodic protection systems, appurtenances, and service connections necessary or appropriate for the operation of said pipes or pipelines, including poles, conduits, wires, cables, or other appurtenances and equipment for telegraph or telephone lines, or both, necessary or appropriate for

the Franchisee's operations in, under, along, or across any and all highways as defined in Section 16.36.080 of the Los Angeles County Code, now or hereafter dedicated to public use in the unincorporated territory of the County of Los Angeles ("County"), State of California, for the Franchisee's water service areas in those unincorporated areas depicted on Exhibit 1 and Exhibit 2 attached hereto, and any additional unincorporated territory of the County that may be added to the Franchisee's water service areas during the term of the franchise.

SECTION 2. Consideration; Payment of Fees.

A. As consideration for the franchise granted, the Franchisee shall pay the County's Chief Administrative Office ("CAO") a one time granting fee of five thousand dollars (\$5,000) within thirty (30) days after the adoption of this ordinance.

B. As additional consideration for the franchise granted, the Franchisee shall pay annually in arrears, on or before April 15 following the end of each calendar year, for each year during the life of the franchise ("fee payment date"), to the County, in lawful money of the United States, a franchise fee computed annually ("annual franchise fee") as provided herein as follows:

Two percent (2%) of the gross annual receipts of the Franchisee arising from the use, operation, or possession of the franchise; provided, however, that such payment shall in no event be less than one percent (1%) of the gross annual receipts of the Franchisee derived from the sale within the franchise area of the commodity or service for which the franchise is awarded. Such percentage shall be paid annually during the life of the franchise, including the year of granting of the franchise. In the event this

amount is increased by federal or state law or the County is empowered to increase the rate, the County reserves the right to increase the rate to the maximum amount permitted by federal, state, or local law.

C. In addition to the foregoing annual franchise fee, the Franchisee shall also pay:

1. The County Department of Public Works, Construction Division, Permit Section, within sixty (60) days after the end of each calendar year, for each year of the life of the franchise, an initial construction charge calculated at a rate of one hundred dollars (\$100.00) per mile or fraction thereof, for all new main lines laid during that preceding calendar year.

2. The County Auditor-Controller, within sixty (60) days after the end of each calendar year, for each year during the life of the franchise, an annual fee of twenty-five dollars (\$25.00) per pole-mile or portion thereof, for aerial or above-ground lines, and twenty-five dollars (\$25.00) per mile or portion thereof, for underground conduit for wire, cable, telephone, or telegraph lines maintained under the franchise during that preceding calendar year.

D. The County reserves the right to change its method of calculating fees, and the amount thereof, not more frequently than once every five (5) years, if the Board of Supervisors ("Board") determines, after a public hearing, that good cause exists for such change, and such action is not in conflict with the laws of the State of California.

E. The Franchisee shall also pay any application, administrative, and processing fees required in connection with this franchise. These fees may be charged at the then-current applicable rates.

SECTION 3. Reports.

The Franchisee shall during the life of the franchise:

A. File with the County Auditor-Controller and the CAO, Director of Real Estate, on the fee payment date, with one (1) copy to each, a report, verified under oath by a duly authorized representative of the Franchisee, showing as of December 31 of the immediately preceding calendar year ("franchise report period"), the total gross receipts of the Franchisee for the immediately preceding franchise report period, received or accrued in connection with the furnishing of the commodity or service arising from the use or operation of the franchise, together with such additional data as is necessary in the opinion of the County Auditor-Controller and/or the CAO, Director of Real Estate, to calculate or verify the calculation of the annual franchise fee as required by Section 2.

B. In the report prepared pursuant to subsection 3.A above, Franchisee shall also show: any change in franchise footage since the end of the most recent prior franchise report period, segregating such footage as to new main lines laid, old main lines removed, old main lines abandoned in place, including the internal diameter of such main lines laid, removed, and/or abandoned in place; the footage of new conduit laid for wires, cables, telegraph, or telephone lines, old conduit removed, old conduit abandoned in place; the diameter of such conduits laid, removed, and/or abandoned in

place; and the footage and internal diameter of main lines in territory annexed or incorporated since the last day of the most recent prior franchise report period.

C. File with the Director of the County Department of Public Works and the CAO, Director of Real Estate, within sixty (60) days after the end of each franchise report period, with one copy to each, a report showing the permit number of each permit obtained for the installation of new main lines and conduits during the just completed franchise report period, together with the length and size of such main lines and conduits.

SECTION 4. Late Payments.

A. In the event Franchisee fails to make any of the payments provided for herein on or before the dates they are due, the Franchisee shall pay a late charge of ten percent (10%) of the amount due, said ten percent (10%) being due on the sixty-first (61st) day after the due date. The ten percent (10%) has been set by both parties hereto in recognition of the difficulty in affixing actual damages from a breach of this time of performance requirement.

B. In the event full payment of any rate, payment, or fee, including the ten percent (10%) late charge, is not received within ninety (90) days after the due date, an assessment of interest shall accrue on the unpaid balance at one percent (1%) per month beginning on the ninety-first (91st) day after the due date.

SECTION 5. Indemnification, Insurance, and Bonding.

The Franchisee shall meet the following indemnification, insurance, and bonding requirements:

A. Franchisee shall indemnify, defend, and hold harmless the County and its special districts, elected and appointed officers, employees, and agents ("County's agents") from and against any and all liability and expense, including claims and lawsuits, for injuries or damages of any nature whatsoever, including but not limited to bodily injury, death, personal injury, or property damage, including property of the Franchisee, and including pollution liability, defense costs, legal fees, and workers' compensation benefits based upon, arising from, or relating to either: (1) Franchisee's operations or the services provided by Franchisee, its employees, agents, servants, receivers, contractors, subcontractors, successors, or assignees ("Franchisee's agents") in connection with this franchise; and/or (2) the acts or omissions of Franchisee, Franchisee's agents, or any person in connection with activities or work conducted or performed pursuant to this franchise and arising out of such activities or work. Franchisee shall also indemnify, defend, and hold harmless the County and the County's agents from and against any and all pollution liability, contamination, or environmental degradation liability, including any and all expenses, claims, and lawsuits for injuries or damages of any nature whatsoever, defense costs, legal fees, and workers' compensation benefits, arising from or relating to any threatened, actual, or alleged discharge, dispersal, release, or escape of any substance into or upon any person, thing, or place, including the land, soil, atmosphere, man-made structure, and/or any above-ground or below-ground watercourse or body of water, in connection with this franchise. The Franchisee shall not be obligated to indemnify the County and

County's agents for liability and expense arising from the active negligence of the County or County's agents.

B. The County shall be immediately notified by Franchisee of all discharge, release, or escape of any water, waste water, mud, or other substances from Franchisee's pipelines. All actions to investigate, remove, or remediate any substance reasonably demonstrated to be discharged, dispersed, released, or escaped from Franchisee's pipelines, and to repair or restore Franchisee's pipelines and appurtenances, shall be the sole responsibility of Franchisee and shall be conducted by Franchisee or Franchisee's Agents, in conformance with any and all laws, ordinances, rules, regulations, requirements, and orders whatsoever, present or future, of the federal, state, County, or other applicable local government at Franchisee's sole cost and expense, and shall be immediately undertaken. If Franchisee fails to take any action required pursuant to this section, County may, but shall not be obligated to, take all actions it deems appropriate at Franchisee's expense. Upon written demand by County, Franchisee shall reimburse County for all County expenses reasonably incurred in connection with County's actions including, but not limited to, all direct and indirect costs relating to investigation, remediation, and removal.

C. Without limiting Franchisee's indemnification of County, Franchisee shall provide and maintain at its own expense, during the term of this franchise, the following programs of insurance. Such programs and evidence of insurance shall be satisfactory to the County, and shall be primary to, and not contributing with, any other insurance or self-insurance programs maintained by the County.

1. Certificate(s) or other evidence of coverage satisfactory to the County shall be delivered on or before the effective date of this franchise, and on or before the expiration date of each term of insurance, to the CAO, Real Estate Division, Attn: Property Management Section, 222 South Hill Street, 3rd Floor, Los Angeles, California 90012, or such other address(es) as Franchisee may be directed in writing by the CAO. Such certificates or other evidence shall:

- a. Specifically identify this franchise ordinance;
- b. Clearly evidence all insurance required in this franchise ordinance;
- c. Contain the express condition that the County is to be given written notice by registered mail at least thirty (30) days in advance of any modification, non-renewal, cancellation, or termination of any program of liability insurance, and at least thirty (30) days in advance of any modification, non-renewal, cancellation, or termination of any program of workers' compensation, or other insurance required by this Section 5;
- d. Include a copy of the additional insured endorsement to the commercial general liability policy, adding the County and County's agents as insureds for all activities arising from this franchise; and
- e. Show the Franchisee's insurance as primary to the County's insurance and self-insurance programs. This may be evidenced by adding a statement to the additional insured endorsement required in subsection (d) stating "It is further agreed that the insurance afforded by this policy is primary to any insurance or self-

insurance programs maintained by the additional insureds and the additional insureds' insurance and self-insurance programs are excess and non-contributing to Named Insured's insurance."

2. The County reserves the right to require copies of Franchisee's insurance policies at County's request.

3. Insurance is to be provided by an insurance company with an A. M. Best rating of not less than A: VII, unless otherwise approved by the County

4. The Franchisee agrees to release the County and County's agents and waive its rights of recovery against them under the insurance policies specified in this franchise ordinance.

5. Liability: Such insurance shall be endorsed naming the County of Los Angeles and the County's agents as additional insureds, and shall include, but not be limited to:

a. Commercial General Liability insurance written on a commercial general liability form (ISO policy form CG00 01, or its equivalent, unless otherwise approved by the County), with limits of not less than five million dollars (\$5,000,000) per occurrence, fifteen million dollars (\$15,000,000) policy aggregate, and fifteen million dollars (\$15,000,000) products/completed operations aggregate.

i. If written on a claims-made form, such insurance shall be endorsed to provide an extended reporting period of not less than two (2) years following termination or cancellation of this franchise.

b. Comprehensive Auto Liability insurance (written on ISO policy form CA 00 01, or its equivalent, unless otherwise approved by the County), endorsed for all owned, non-owned, and hired vehicles with a limit of not less than one million dollars (\$1,000,000) per occurrence.

6. Workers' Compensation: A program of Workers' Compensation insurance in an amount and form to meet all applicable requirements of the Labor Code of the State of California. Such policy shall be endorsed to waive subrogation against the County for injury to the Franchisee's employees. If the Franchisee's employees will be engaged in maritime employment, the coverage shall provide the benefits required by the Federal U.S. Longshoreman and Harbor Worker Compensation Act, Jones Act, or any other federal law to which the Franchisee is subject. In all cases, the above insurance shall include Employers' Liability insurance with not less than:

- a. Each accident: one million dollars (\$1,000,000).
- b. Disease—policy limit: one million dollars (\$1,000,000).
- c. Disease—each employee: one million dollars (\$1,000,000).

D. Franchisee shall furnish the CAO, Real Estate Division, at the location specified in subsection 5.C.1 within thirty (30) days of the adoption of this ordinance, and within thirty (30) days of the expiration date of each term of insurance, either certified copies of the policies required by subsection 5.C or a certificate of insurance for each of said policies executed by the Franchisee's insurance agent, or by the company issuing the policy, certifying that the policy is in force.

E. As an alternative to commercial insurance from Franchisee, the County may consider and approve, at the County's sole option, Franchisee's use of a program of self-insurance or self-insured retention, upon review and approval of the following:

1. An agreement to provide the County and the County's agents with indemnification in accordance with subsections 5.A and 5.B. The County shall be provided at least the same defense of suits and payments of claims as would be provided by the first dollar of commercial insurance.

2. A formal declaration by Franchisee to be self-insured for the type and amount of coverage indicated in this ordinance. This can be in the form of a corporate resolution or a certified statement from an authorized principal of the Franchisee. Franchisee must notify the CAO, Real Estate Division, at the location specified in subsection 5.C.1, immediately of discontinuation or substantial change in the self-insurance or self-insured retention program.

3. An agreement to notify the CAO immediately of any claim, judgment, settlement, award, verdict, or change in Franchisee's financial condition which would have a significant negative effect on the protection that the self-insurance or self-insured retention program provides to the County.

4. The name, address, and telephone number of Franchisee's legal counsel and claim representative, respectively, for the self-insurance or self-insured retention program.

5. Upon request by CAO, an audited financial statement that gives evidence of Franchisee's capacity to respond to claims falling within the self-insurance

or self-insured retention program. Resubmission of such a statement may be required annually for the duration of the franchise, or more frequently at the request of the CAO.

6. A Certificate of Consent to Self-Insure issued by the State of California, Department of Industrial Relations certifying Franchisee's compliance with the requirements of the Director of Industrial Relations under the provisions of the Labor Code of the State of California (sections 3700 to 3705, inclusive) and certifying Franchisee has furnished satisfactory proof to said Director of Franchisee's ability to self-insure and to pay any compensation that may become due to Franchisee's employees.

7. Failure on the part of the Franchisee to comply with the County's requirements for approval of a program of self-insurance or self-insured retention will result in withdrawal of the County's approval to self-insure.

F. Within thirty (30) days of the adoption of this ordinance, Franchisee shall provide to the CAO, at the location specified in subsection 5.C.1, a faithful performance bond in the sum of not less than fifty thousand dollars (\$50,000) payable to the County of Los Angeles and executed by a corporate surety, acceptable to the County and licensed to transact business as a surety in the State of California. Such bond shall be conditioned upon the faithful performance by the Franchisee of the terms and conditions of this franchise and shall provide that, in case of any breach of condition of this franchise, the whole amount of the penal sum, or any portion thereof, shall be deemed to be liquidated damages, and shall be payable to the County by the principal and surety(ies) of the bond.

1. Throughout the term of this franchise, Franchisee shall maintain the faithful performance bond in the amount specified herein. Within ten (10) business days after receipt of notice from the County that any amount has been withdrawn from the bond as provided in this section, Franchisee shall restore the bond to the full amount specified herein.

2. The faithful performance bond shall continue to exist for one (1) year following the CAO's approval of any sale, transfer, assignment, or other change of ownership of the franchise, or of the expiration or termination of the franchise. The CAO may release said bond prior to the end of the one (1) year period upon satisfaction by Franchisee of all the obligations under the franchise.

3. At its sole option, the County may accept certificates of deposit, cash deposits, irrevocable letters of credit, or U.S. government securities in lieu of, or in addition to, commercial bonds to meet the above bonding requirements. Such alternative security shall be made payable to the County, and shall be deposited with the County's Auditor-Controller and/or Treasurer Tax Collector, as applicable.

G. The types and amounts of said insurance coverage and bonding shall be subject to review and adjustment by the County, at County's sole discretion, at any time during the term of the franchise. In the event of such adjustment, Franchisee agrees to obtain said adjusted insurance coverage and bonding, in type(s) and amount(s) as determined by the County, within thirty (30) days after written notice from the County.

H. Failure on the part of Franchisee to procure or maintain the required insurance and bonding, or to provide evidence of current insurance and bonding, shall

constitute a material breach of the terms of this franchise upon which the County may immediately terminate or suspend this franchise.

I. It is the obligation of Franchisee to provide evidence of current insurance policies and bonding. Any franchise operations shall not commence until Franchisee has complied with the provisions of this Section 5, and any operations shall be suspended during any period that Franchisee fails to maintain the insurance and bonding required hereunder.

SECTION 6. Transfers and Assignments.

A. Franchisee shall not sell, transfer, assign, lease, hypothecate, place in trust, or change the control of the franchise or any part thereof (each of which is hereinafter referred to as an "assignment"), to any other person or entity ("transferee") except with the prior written consent of the CAO, and after payment of a transfer fee as detailed in subsection 6.G. As used in this section, "transfer" includes stock transfer and "control" includes actual working control in whatever manner exercised.

B. Franchisee shall give notice to the CAO of any pending assignment, except as excluded in subsection 6.E, and shall provide all documents requested by the CAO, as set forth in subsection 6.F, on which the assignment is predicated. Consent to any such assignment shall only be refused if the CAO finds that Franchisee is in noncompliance with the terms and conditions of the franchise and/or that the proposed transferee, as applicable, is lacking in experience and/or financial ability to meet the franchise obligations. Consent from the CAO shall be conditioned upon the consummation of the assignment on the terms and conditions set forth in the

assignment documents delivered to County, the assumption by the transferee, as applicable, of all the Franchisee's covenants and obligations under the franchise, and all information provided CAO under subsection 6.F, below, being true and correct as of the time of the consummation of the assignment. Upon receipt of such consent from the CAO, Franchisee may proceed to consummate the assignment.

C. Franchisee shall file with the CAO within thirty (30) days after the effective date of any such assignment, a certified copy of the duly executed instrument(s) which officially evidences such assignment. If such duly executed instrument(s) is not filed with the CAO within thirty (30) days after the effective date of such assignment, or if the conditions to consent by the CAO have not been met, then upon expiration of said thirty (30) days, the CAO may notify the Franchisee and the proposed transferee that the assignment is not deemed approved by the County. The CAO may then administratively determine that the assignment has no force or effect or that the franchise is forfeited and the Board may repeal this franchise.

D. As a condition to the granting of consent to such assignment, the Board may impose such additional terms and conditions upon this franchise, and upon the proposed transferee which the CAO recommends or the Board deems to be in the public interest. Such additional terms and conditions shall be expressed by ordinance. Nothing contained herein shall be construed to grant Franchisee the right to complete an assignment except in the manner aforesaid. This section applies to any assignment, whether by operation of law, by voluntary act of the Franchisee, or otherwise.

E. Notwithstanding the foregoing, shareholders, partners, and/or any other person or entity owning an interest in Franchisee may transfer, sell, exchange, assign, or divest themselves of any interest they may have therein. However, in the event any such sale, transfer, exchange, assignment, divestment, or other change is effected in such a way as to give control of, or a twenty-five percent (25%) or more interest in, Franchisee, to any person or persons, corporation, partnership, or legal entity other than the person or entity with the controlling interest in the Franchisee on the effective date of the franchise or the effective date of the last approved assignment, consent thereof shall be required as otherwise provided in this Section 6.

F. Upon notice by Franchisee of any pending assignment, the proposed transferee shall submit an assignment application to the CAO, which shall contain, but is not limited to:

1. Identification of the proposed transferee which indicates the corporate or business entity organization, including the submission of copies of the corporate or business formation papers (e.g., articles of incorporation and by-laws, limited partnership agreements, operating agreements), and the names and addresses of any parent or subsidiary of the proposed transferee(s), or any other business entity owning or controlling the proposed transferee in part or in whole.

2. A current financial statement, which has been audited by a certified public accountant demonstrating conclusively to the satisfaction of the CAO that the proposed transferee has all the financial resources necessary to carry out all of the terms and conditions of the franchise. The financial statement shall include a balance

sheet, profit and loss statement for at least the three (3) most recent years, and a statement of changes in financial position; however, if the proposed transferee has been in existence for less than three (3) years, then for such period of existence.

3. A copy of the proposed agreement of sale, letter of understanding, or other documentation which details the pending assignment ("assignment documents").

4. Other information which may be required by the CAO to assess the capability of the proposed transferee to operate and maintain the franchise.

G. The transfer fee shall be submitted with the Franchisee's request for the County's consent to any assignment described in subsection 6.A and shall be determined as follows:

1. Consent to assignment or any other action, in which the County does not elect to modify the franchise by adoption of an amending ordinance: one thousand dollars (\$1,000).

2. Consent to assignment or any other action, in which the County elects to modify the franchise by adoption of an amending ordinance: two thousand five hundred dollars (\$2,500).

3. In the event County's actual costs to process the proposed assignment application, including any consultant's fees incurred by the County to assist in evaluating the application, exceed the fees detailed above, the Franchisee and proposed transferee may be required to pay any additional costs incurred by the County in processing the Franchisee and/or proposed transferee's request for assignment.

Such costs shall be paid by the Franchisee and the proposed transferee prior to final consideration of the request by the CAO or the Board, as applicable.

SECTION 7. Relocation of Pipeline.

In the event the Franchisee receives notice to relocate its pipelines and appurtenances pursuant to Section 16.52.290 of the County Code, in addition to all obligations of Franchisee and rights of the County under Sections 16.38.450 and 16.52.290 of the County Code, if Franchisee neglects or fails to relocate its facilities in a timely manner after receipt of any such notice, Franchisee shall be responsible for, and shall reimburse the County, city or other public entity, for any and all additional costs or expenses incurred by the County, city, or other public entity due to, or resulting from, such delay in relocation of the facilities.

SECTION 8. Pipeline Franchise Ordinance.

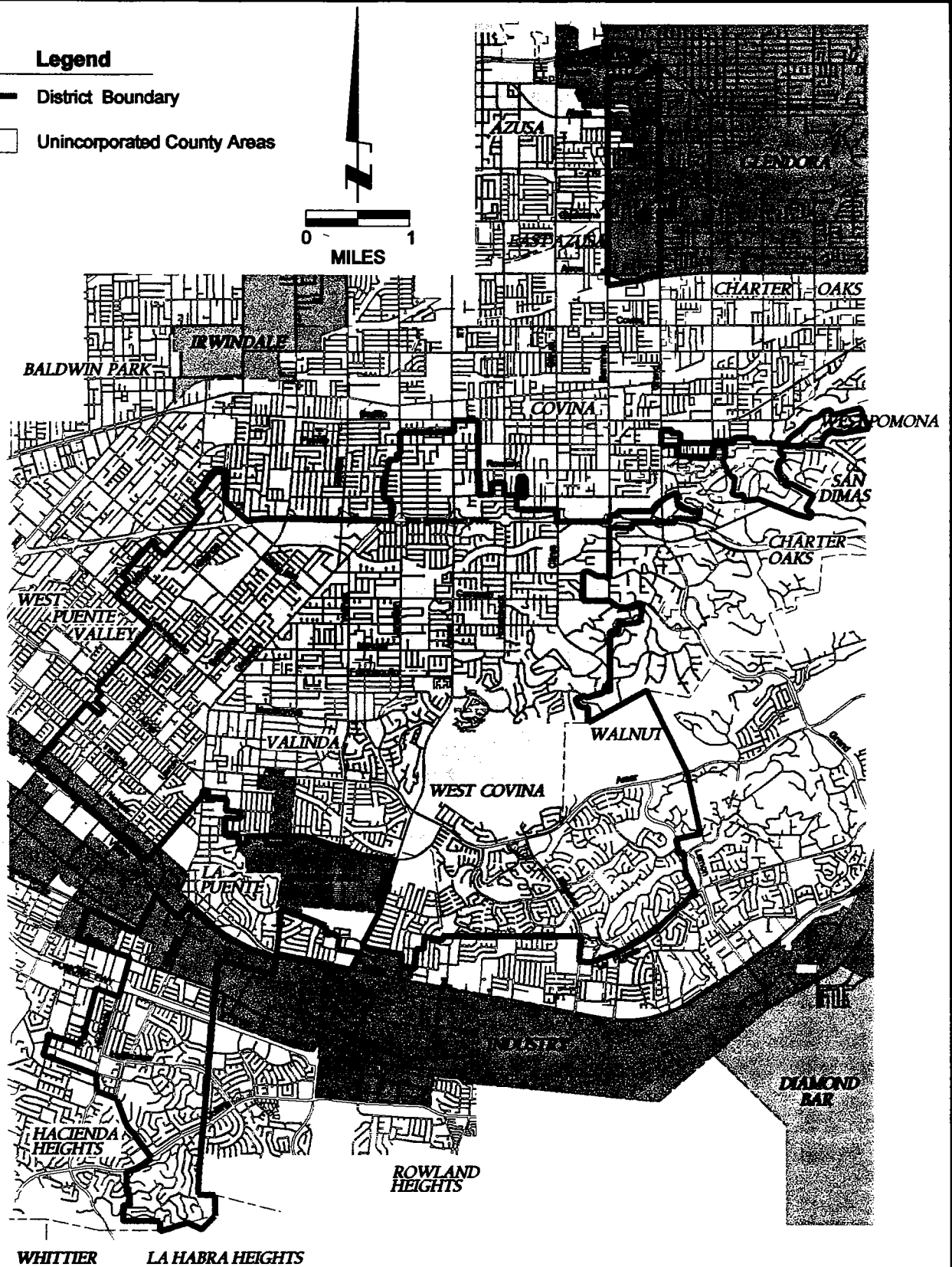
In addition to the terms and conditions stated herein, this franchise is granted under all of the terms and conditions contained in the County Pipeline Franchise Ordinance, Title 16, Division 3A of the Los Angeles County Code, as codified in 1978 and amended to date, which is incorporated herein by reference, as it may hereafter be amended. In the event the terms and conditions of this franchise conflict with the term of the County Pipeline Franchise Ordinance, the terms and conditions hereof shall control. Without limiting the generality of the foregoing, Sections 16.52.020H, 16.52.100, 16.52.110, 16.52.120, 16.52.140, 16.52.220, 16.54.080, and 16.54.090 are superseded by this franchise granting ordinance.

[12252FrExMRCC]

Legend

-  District Boundary
-  Unincorporated County Areas

0 1
MILES



Suburban Water Systems

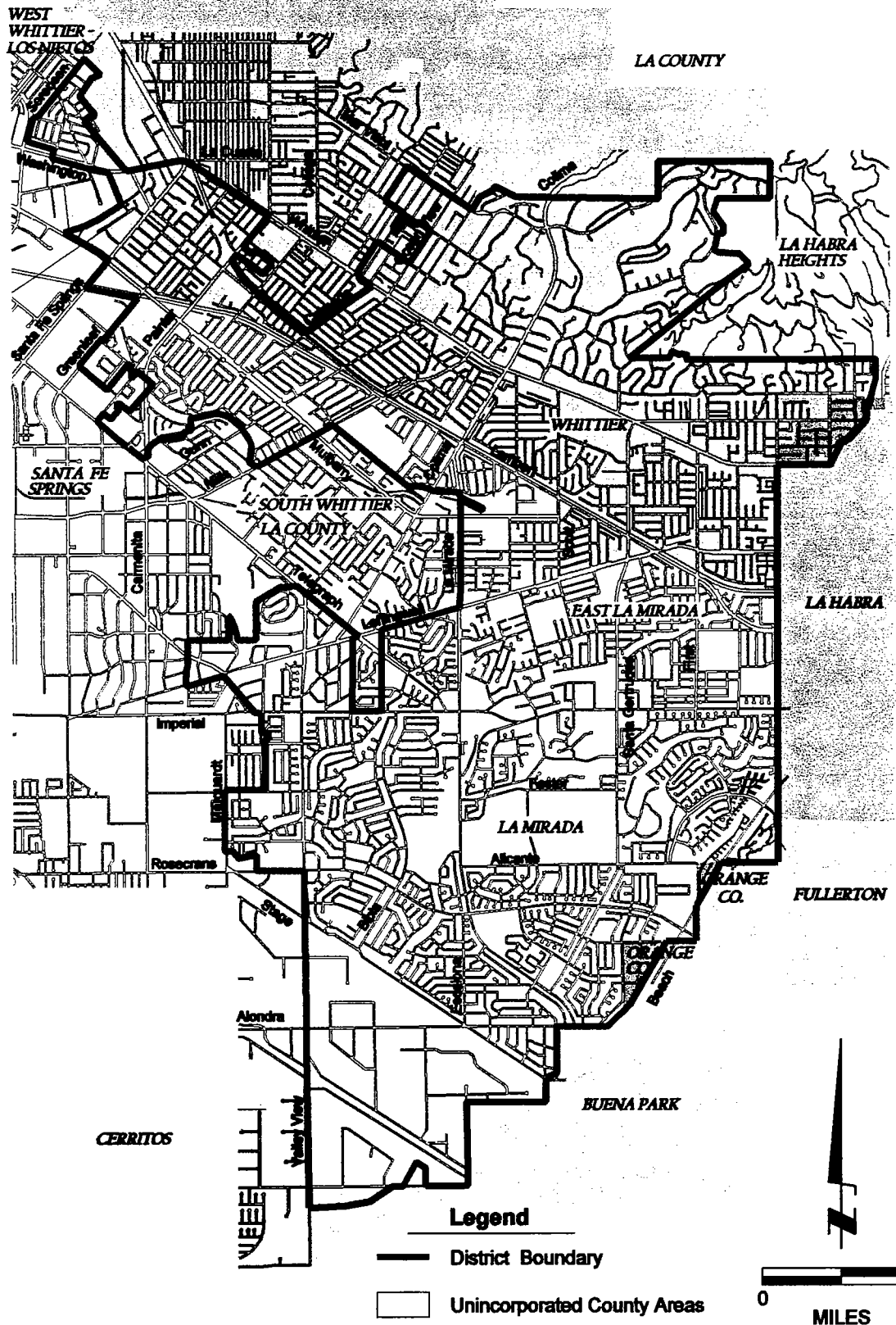


1211 E. Center Court Dr.,
Covina, California 91724-3603
Telephone: (626) 543-2500
Facsimile: (626) 331-4848

San Jose Hills District

Service Areas
Showing Cities and County Areas

EXHIBIT 1 – WATER SERVICE AREA



Suburban Water Systems



1211 E. Center Court Dr.,
Covina, California 91724-3603
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Whittier / La Mirada District

Service Area
Showing Cities And County Areas

EXHIBIT 2 – WATER SERVICE AREA